104-10112-10328

~~CONFIDENTIAL~~

12 August 1976

MEMORANDUM FOR THE RECORD

SUBJECT: Unknown Subject:
B. R. Fox - Extortion

One of the individuals recently interviewed by the FBI relative to Subject matter noted that he once saw information concerning B. R. Fox company in an article by Tad SZULC in the Penthouse magazine, July 1975. Attached to instant memorandum is a copy of that article captioned, "The Spy Among Us." The portion pertaining to B. R. Box is set out in brackets. It is noted that the article mentions the address of B. R. Fox Company, as well as Lucien CONEIN and Michael MORRISSEY.

Jerry G. Brown
Deputy Chief
Security Analysis Group

Att:
As stated

JGB:hjd

APPROVED FOR RELEASE 1993
CIA HISTORICAL REVIEW PROGRAM

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~~CONFIDENTIAL~~

THE CONSTITUTIONAL RIGHT OF ALL CITIZENS TO BE SECURE IN THEIR HOUSES IS VIOLATED EVERY DAY BY THE STRANGE BUREAUCRATS OF THE INTELLIGENCE COMMUNITY

BY TAD SZULC

Americans have always believed that the right to privacy is sacred. We shudder at stories told by travelers to the Soviet Union and other dictatorships who take for granted that their hotel rooms and phones are bugged and that they are followed. But now we discover there is literally no place within the United States safe from the illegal snooping of the CIA (which is restricted by law to foreign operations) and the many other government agencies known as the "Intelligence Community."

One extraordinary example is the tiny laser-beam transmitter embedded in the wall of the Oval Office at the White House. This transmitter picked up and relayed to a remote recording center every conversation between Richard M. Nixon and his aides, friends, and visitors during at least several months in 1970, the year the former President launched his secret domestic intelligence program. Presidential telephone conversations, including those conducted over "secure" scrambler lines, were also picked up by the laser transmitter.

The existence in the presidential office of this highly sophisticated device, known by the code name "Easy Chair," remains one of the most sensitive, closely guarded, and intriguing secrets of the Nixon period. This knowledge is restricted to about a dozen key past and present officials of the Intelligence Community. But the precise purpose of the operation, the exact identity of those who ordered the installation of the laser device under a coat of fresh paint on the Oval Office wall, and the ultimate disposition of the instrument remain unclear. Nor do we know if tapes were made of these transmissions—which is, perhaps, the most crucial question.

It is also not known if Nixon himself was aware of and consented to the installation. If he did, the laser system complemented his hidden recording devices that produced the famous White House tapes. (In any event, the laser device picked up with infinitely more clarity every word uttered in the Oval Office, eliminating the "unintelligible" gaps that affected the tapes. In addition, the laser system permits, unlike a tape recorder, the identification of every individual voice in a room and the separation of several simultaneous conversations.) It is not known where the laser beam signal was received, but technical experts believe that such a device has a transmission range of under a half mile along a clear line of sight. The laser beam must be aimed out a window—it would be deflected by a wall. In the case of the Oval Office it had to go through the panes of the French doors leading to the Rose Garden.

Highly reliable sources told *Penthouse* that one or more senior officials of the Secret Service and the Central Intelligence Agency are familiar with the "Easy Chair" situation in the White House, although they could not say whether they learned of it only when the laser device was discovered and removed early in August 1970, or whether they knew at some earlier date. The sources would not rule out that the late J. Edgar Hoover, then director of the Federal Bureau of Investigation, was also privy to "Easy Chair."

In any event, this super-bugging of the presidential office looms as one of the most bizarre episodes in the still unfolding story of domestic spying carried out by six successive administrations, but climaxing most spectacularly during Nixon's tenure.

Penthouse learned of this bugging of the Oval Office as a result of a lengthy investigation. According to highly authoritative sources, the person who installed the laser transmitter, possibly on a second attempt when an original device did not function properly, is a foreign-born individual employed as a painter by the government and apparently controlled by one of the intelligence agencies. His name as well as a number of other relevant details are withheld from publication to avoid causing suffering and embarrassment to persons innocently involved in this operation.

Investigations by *Penthouse* have also produced the significant fact that officials of the General Services Administration, which is responsible for the maintenance of government buildings, have been under strict orders from the Secret Service since 1970 not to discuss with outsiders anything pertaining to the painting of the interior of the White House. The Secret Service also issued orders that all inquiries on the subject be immediately reported to it. These orders apply to painting foremen and their crews as well as to other GSA employees. *Penthouse* sources were unable to say, however, whether these orders are exclusively related to the "Easy Chair" incident.

Beyond the new disclosures of House bugging, recent investigations, including those by *Penthouse*, also strongly suggest that the cover-up of secret domestic spying activities by U.S. intelligence agencies has continued in 1975, despite President Ford's instructions that all relevant information be supplied to the investigating panels: the Rockefeller Commission and the two special congressional committees. But the White House has excluded certain top-secret material from information given to the Senate and House panels. These are the facts:

- Civilian and military intelligence agencies maintain political files on tens of thousands of American citizens, ostensibly for reasons of "national security" and criminal investigations, but just as often to satisfy the political curiosity of overzealous government sleuths. There are files on sexual, drinking, and other personal habits and problems of politicians, government officials, artists and writers, civil rights militants, dissidents in general, and real or suspected radicals.
- Court records, disclosed in April of this year (months after Ford ordered the investigation of the Intelligence Community), show that at least twenty federal agencies still maintain electronic surveillance of Americans at home and abroad. Overseas, particularly in Germany, the targets are U.S. military personnel. This surveillance includes telephone tapping and the secret recording of face-to-face conversations either through hidden devices or informers secretly wired for sound. (It is unclear, however, whether all this surveillance is based on court orders or is conducted illegally.)

The immense scope of this activity can be appreciated from this list of agencies engaging in domestic and foreign electronic surveillance of Americans: the FBI; the CIA; the National Security Agency; the Defense Intelligence Agency; the Department of the Air Force; the Postal Inspection Service; the IRS Intelligence Division; the IRS Inspection Service's Internal Security Division; the Drug Enforcement Administration; the Treasury's Bureau of Alcohol, Tobacco, and Firearms; the Naval Investigative Service; the Administrative Services Section of the Joint Chiefs of Staff; the Defense Mapping Agency; the Defense Nuclear Agency; the Defense Security Assistance Agency; the Defense Supply Agency; the Defense Civil Preparedness Agency; the Defense Advanced Projects Agency; the Defense Communications Agency; the Defense Contracting Audit Agency; the 502nd Army Security Agency Group; the Office of the Deputy Chief of Staff for Intelligence of the U.S. Army in Europe; the Investigation and Police Information Division of the U.S. Army in Europe; the Army Criminal Investigation Command; and the Defense Investigative Service. *It must be kept in mind that all this spying is outside normal criminal surveillance by law enforcement agencies.* In addition, acting on requests from nineteen federal agencies and scores of local law enforce

This is the third article in a monthly series on America's Intelligence Community, including the CIA.

PENTHOUSE
July 75

...units: the U.S. Postal Service (which ...an intelligence unit) is currently tracing ...recording the origins of mail delivered ...housands of American citizens. Our gov...ment, from the federal down to the state ...municipal levels, appears to have em...ked on a veritable snooping binge. (It ...uld be recorded, however, that the Pen...on makes a point that *only* five of its ...encies are authorized to conduct elec...ic surveillance.)

• CIA director William E. Colby informed ...sident Ford of possible illegal activities ...his agency, including domestic spying ...d conspiracies to carry out assassina...ns of foreign leaders, only after a part of ...veil of secrecy was lifted in press reports ...t December. This information had been ...nheld for nearly two years even though ...mer CIA director James R. Schlesinger, ...v secretary of defense, ordered CIA em...yees as far back as 1973 to report to him ...ivities exceeding or violating the CIA ...ater. He received a number of such re...rts. Colby inherited this material in 1973 ...d secretly requested the Justice Depart...nt to investigate illegal CIA actions—...sing the possibility of criminal prosecu...ns against certain CIA officials—but he ...portedly failed to inform Ford of it until the ...esentation of his fifty-page written report ...t December and his supplemental "oral" ...port on assassinations.

• The CIA maintains its own secret list of ...emies, known as the BIGOT file, in ad...ion to 10,000 name files of Americans ...spected in some manner of foreign intel...gence connections or some vague form of ...bversion. The latter list includes antiwar ...d civil rights activists. *Penthouse* report...d in its June issue that the CIA maintained ...nce the 1950s separate dossiers on the ...e senators Joseph McCarthy and Robert ...rr, as well as on Senator Hubert H. Hum...rey—in addition to New York congress...oman Bella Abzug, the only member of ...ongress that the CIA has publicly admitted ...eeping a file on. The BIGOT file is made up ... persons who are regarded as "bigoted" ...gainst the agency.

Besides keeping dossiers on thousands ... Americans, the CIA is also known to have ...aintained surveillance on Supreme Court ...stice William O. Douglas; Representative ...laude Pepper, Florida Democrat; former ...presentative Cornelius Gallagher, New ...rsey Republican; and the late senator ...ward Long, a Missouri Democrat. The ...A's interest in Douglas and Gallagher was ...parently based on their contacts in the ...ominican Republic. Douglas visited there ... 1962 and had close ties to former presi...ent Juan Bosch, one of whose advisers ...d CIA links of his own. (And allegations ...ve been made that the CIA played a role ... the 1961 assassination of the Dominican ...ictator, Rafael L. Trujillo.) Pepper was re...portedly a target because of his ties to Cu...an refugees in Florida, a major area of CIA ...perations. Long, according to sources, ...roused the agency's interest because of ...nks to foreign corporations operating in the United States.

CIA sources say that many "enemies" on the BIGOT list have been targets of agency bugging by "Easy Chair" laser devices. The advantage of such devices is that they are usually untraceable and do not constitute actual wiretapping for which, at least in theory, either a court order or a "national security" clearance by the attorney general is required.

• The government secretly condoned the production of awesome antipersonnel explosive devices, such as flashlights and telephone receivers loaded with explosives, by the B.R. Fox Company, a private company in Alexandria, Virginia. Some of the officials of this company are believed to have had past ties with the CIA's paramilitary operations branch. There is no evidence that B. R. Fox, which mysteriously went out of business last November, was actually owned by the CIA. But Fairfax County authorities reported upon inquiry that the company never requested nor received the necessary permit for the manufacture of explosive devices in the Fairfax jurisdiction. Intelligence sources indicate that other such companies are presently operating elsewhere in the United States. see p.5

• The CIA obtained from the Civil Aeronautics Board and the Federal Aviation Administration a special certification for one of its "proprietary" airlines, Southern Air Transport Inc., exempting it from the requirement of flying approved charter routes. Southern's aircraft are thus able to be used anywhere in the world without filing route reports with the CAB.

• To deal with pressures from current investigations, the CIA established at its headquarters last February a secret "CONFOUND Task Force," designed to counter charges against the agency. CONFOUND is supported by CIRA, the Central Intelligence Retired Association, formed last March 20. CIRA's board of governors includes some of the best-known former senior agency officials. The CIA, according to informants, also sought to plant at least two of its former officials on the staff of the Senate committee investigating the Intelligence Community.

• Its naval operations ranging from the sublime to the ridiculous, the CIA has been involved with billionaire Howard Hughes in various ventures, including the ship designed to retrieve a sunken Soviet submarine, and it continues to operate—from a room in a small New York hotel and from a postal box in Panama—the *Apollo*, a mysterious motor yacht loaded with electronic and communications equipment. The 3000-ton *Apollo*, which is almost 500 feet long, usually operates in southern European waters.

This article will examine in some detail the domestic activities of the U.S. Intelligence Community—many of them clearly illegal and a clear and present danger to the democratic process.

For over twenty-five years these activities have often been in direct violation of U.S. laws. (The CIA, for example, is barred by federal law from domestic intelligence operations and from domestic police functions.) In addition, this domestic espionage has violated the civil rights of Americans on whom secret political files have been kept, whose phones have been tapped with or without court orders, and whose mail has been opened or, at least, monitored through Postal Service "mail covers" on behalf of various intelligence agencies. And there have been many unexplained accidents, deaths, and "suicides" in the U.S. involving persons who had connections with intelligence work.

Moreover, the intelligence agencies, using their immense manpower, and financial and technological resources, have been part of great political power struggles in this country going back at least ten years. "Keeping files on citizens may be the least some of these agencies have been doing," an intelligence expert with long experience in Washington remarked recently.

Some major American political assassinations, on which official files have been closed, may become the subject of new scrutiny by Rockefeller and the special congressional committees. If nothing else, a psychological climate has developed favoring the reopening of investigations of the murders of the Kennedy brothers and the Rev. Martin Luther King.

This climate, in which the CIA and the FBI are being publicly linked to these and other political assassinations, evidently led President Ford to remark at his news conference on April 3 that "it is my understanding that the Rockefeller Commission may, if the facts seem to justify, take a look" at the charges that the CIA was involved in the 1963 murder of President Kennedy and that it was a conspiracy involving more than one gunman. This would be the first fresh official look at the Dallas assassination since the Warren Commission issued its report more than eleven years ago declaring that Lee Harvey Oswald was the lone assassin.

Ford, who was a member of the Warren Commission, said that "so far" he has seen no evidence to dispute the original conclusions. David W. Belin, executive director of the Rockefeller Commission and formerly counsel to the Warren Commission, took the same view. (But George O'Toole's recently published book *The Assassination Tapes*, which was excerpted in the April *Penthouse*, presents what may be called the first scientific evidence that Oswald was innocent.) Meanwhile, the Rockefeller Commission has received allegations in form of testimony from private groups that E. Howard Hunt, the ex-CIA official and convicted Watergate burglar, had been arrested in Dallas minutes after Kennedy's shooting. Hunt has denied this charge as well as published reports that he was in Mexico City in August 1963, at the same time as Oswald (see Hunt interview, *Penthouse* May 1975).

There are also new doubts surrounding the murder of Robert F. Kennedy in Los Angeles in June 1968, and the special investigating bodies may look into it, too. Charges of CIA and FBI involvement in the

1968 assassination of King in Memphis were made early in April by the Rev. Jesse Jackson, who succeeded King in the leadership of the civil rights movement. This accusation coincided with recent assertions by James Earl Ray, the convicted assassin, that he did not act alone and with his request for a new trial. Acting on Hoover's orders, the FBI had been wiretapping King during the years preceding his death. A Hoover memorandum, disclosed several years ago, said the FBI's mission was "to disrupt, discredit, or otherwise neutralize the civil rights movement."

Political power struggles may have also been behind the installation of the "Easy Chair" laser device in Nixon's office in 1970. This secret transmitter is similar to the one accidentally discovered many years ago inside the Great Seal of the United States in the office of the American ambassador in Moscow. Such devices, unlike standard hidden microphones and transmitters, cannot be located by electronic sweeps. The instrument in the Oval Office was apparently discovered by a Secret Service agent who noticed an extra dab of paint covering the spot on the wall where the device was implanted. The paint caught his eye because of the way in which the light was being reflected by it at that particular moment.

It is possible that Nixon had personally ordered the implanting of the laser device to obtain a more accurate secret record of all conversations in the Oval Office and chose to keep the Secret Service in the dark about it. But it is also possible that, because of the extraordinary importance of policy decisions made in the Oval Office, one of the intelligence services may have installed the device. (There is at least one other case of such spying in the White House: during 1971, a navy yeoman attached to a Pentagon liaison office in the National Security Council regularly supplied the Joint Chiefs of Staff with the most top-secret materials from NSC meetings as well as the most sensitive foreign policy documents handled by Henry A. Kissinger, who then served as special assistant to the president for national security affairs.)

The Oval Office transmissions could be monitored anywhere in the White House or the adjoining Executive Office Building. They could also be picked up, technicians say, in the Treasury Building a block away (the Secret Service is part of the Treasury Department) or in the Commerce Department building three blocks away. But, because laser beams can travel only along a line of sight free of any obstructions, it would be necessary to have "repeaters" located somewhere on the White House grounds to redirect the beam emanating from the Oval Office windows to reception points. If, indeed, the president was spied on by one of his intelligence agencies, the American government was in a greater state of disintegration than we ever realized.

Policy power struggles likewise seemed to loom behind the CIA's own violent reorganization in the wake of the disclosures last December that the agency had engaged in "massive" spying on Americans. CIA director Colby, anxious for a scapegoat, apparently chose the chief of the Counterintelligence Staff, James Angleton, as the public culprit, although knowledgeable agency officials believe that Angleton had relatively little to do with it. The belief in the Intelligence Community is that the spying scandal gave Colby the long-awaited opportunity to dismiss Angleton, a powerful operator who had carved out his private empire in the CIA. Angleton had become a thorn in the side of Secretary of State Kissinger because of his control over the flow of secret intelligence between the U.S. and Israel. Kissinger, it is said, felt that Angleton was interfering with his intricate Middle Eastern policies and persuaded Colby to remove him as soon as possible.

Angleton was quietly replaced by George Constantinides, a fifty-three-year-old Middle East specialist who has directed the CIA's Near Eastern Affairs Office since 1972, and is unlikely to create problems for Kissinger. But nothing was said about Richard Ober, the official who ran the CIA's Domestic Operations Division (renamed the Foreign Resources Division in 1972) during the period when the agency was engaged in spying on antiwar militants. Ober currently is assigned to the National Security Council staff where, presumably, he enjoys Kissinger's protection. Angleton, who stayed on for three months to assist Constantinides during the transition, was awarded on April 7, 1975, the CIA's Distinguished Intelligence Medal in a surge of bureaucratic irony. Colby managed to be in New Orleans on the day of the award and Angleton received it from Colby's deputy, Lieutenant General Vernon A. Walters. Another power struggle had run its course.

As we've noted, the CIA is forbidden by federal law to operate in the United States except for managerial, policy, training, and support functions related to its foreign operations. But this prohibition has been violated to a steadily increasing degree since the CIA was founded twenty-eight years ago. The violations range from supporting local police departments and spying on American citizens to managing a huge corporate empire, shielding mysterious private companies producing lethal devices for use at home and abroad, supplying tax covers for such companies as Howard Hughes's Summa Corporation, which built the submarine-recovery ship *Glomar Explorer* (it saved Hughes over $9 million), and conspiring on United States soil to commit foreign assassinations. Conspiracy to commit murder is a major criminal offense under the United States Penal Code (it probably would be considered a federal rather than a state offense because such murders would most likely be planned in a federal office) and current investigations by the Justice Department could lead to indictments of CIA

If this happens, one may well ask why "higher-ups" in the government, including members of the White House "Forty Committee," which must authorize foreign assassinations by American agents, would not be liable to prosecution. The Forty Committee is presently headed by Henry Kissinger and a case of legal accountability may develop against him and his predecessors. It may even be argued that presidents of the United States can be named as co-conspirators in foreign assassinations, inasmuch as they supposedly must clear such acts when Americans are used. But traditionally presidents have been protected by the so-called doctrine of "plausible denial," under which they are able to officially ignore this type of activity. Moreover, the Forty Committee keeps virtually no records, thus depriving courts of needed evidence. And no official is likely to incriminate himself in court—should it ever come to that.

It is obviously impossible to separate completely the CIA's domestic and foreign activities. The agency, after all, has its headquarters in the United States and all its operations are planned and coordinated at its sprawling building at Langley, Va., just outside Washington. Because of all the support requirements at home, the CIA's operations inevitably spill over to American cities. It is this spill-over factor that has often led to the abuses and violations.

The CIA claims that it acts legally on American territory when it engages in training and recruitment, the contacting of Americans and foreigners who may possess useful intelligence information, and the investigation of potential agents or informers it may wish to hire (as distinct from campus recruitment for CIA careers). Few CIA critics would dispute this claim. Likewise, there *appears* to be nothing wrong with the work here of the agency's Technical Services Division, which concentrates on intelligence technology and the equipping of agents for foreign missions, or the Office of Security, which supposedly does what its name suggests. In fact, "overt" CIA offices in dozens of American cities are listed in local phone directories.

The trouble, however, is that the CIA also runs "covert" offices and operations throughout the United States—the ones Colby does not mention in his increasingly frequent public appearances in defense of the agency. Here are five examples:

1. The Miami area is the center of major covert CIA operations. The principal operation is Support Station East, headed by a senior CIA official named Paul Holliwell, in charge of all the activities in Florida. A special section deals with anti-Castro Cuban refugees, many of them veterans of the Bay of Pigs invasion and other CIA adventures in Cuba. The Cubans are used as intelligence sources and as infiltrators into Cuba (although this activity has been considerably curtailed over the years). Eugenio Martinez, one of the Watergate burglars, was still on a

$100-a-month CIA retainer when he joined E. Howard Hunt's Cuban-American team for Beverly Hills and Washington break-ins. All the other Hunt accomplices were ex-CIA personnel. Miami law-enforcement authorities remain highly concerned about the activities of CIA-connected Cubans, many of them armed, in local crime. There is talk of a "Cuban Mafia" using CIA Cubans, and there have been numerous instances of terror bombings and assassinations. But the local police and even the FBI often find that some Cubans with criminal records are "untouchable" because of CIA protection and invocation of "national security."

"Support East" uses the facilities of Miami International University for operations in Latin America and provides technical and financial support for far-flung CIA missions. But, most important of all, it controls a worldwide network of double agents under Operation SEEBOLT, one of the most sensitive CIA missions. A special staff known as the "Green Light Group" runs SEEBOLT on behalf of the agency's Clandestine Services chiefs in Washington. It is in close touch with the Inter-Agency Defectors' Committee (IDA), a major source of double agents. Despite many valid objections to turning an American city into a major espionage center, CIA officials insist privately that this activity is all really part of foreign operations.

The Miami group has its counterpart. Support Station West, in Burlingame, California. This station, near San Francisco, concentrates on Asian operations in roughly the same manner in which the Miami station works on Latin America and Europe. There is also a large covert CIA station in Denver, and there is one in Las Vegas, where the Mafia provides a fertile field for foreign and domestic intelligence.

2. In the overlapping of the CIA's foreign and domestic functions, the agency's representatives in Los Angeles first persuaded Howard Hughes's Summa Corporation to build the $350 million (in taxpayers' money) deep-sea mining ship, the *Glomar Explorer*, and then went to the Los Angeles County tax assessor to inform him in secrecy that the vessel belonged to the United States government. The Summa Corporation thus was not subject to local taxes in excess of $9 million. But this is where the CIA got caught in its own game of secrecy: the ship's license, filed under oath with the Coast Guard, states that the *Glomar Explorer* belongs to the Hughes interests. Los Angeles County was thus cheated out of taxes. Inasmuch as the CIA did the lying, it may well become the target of tax fraud prosecution. The same may happen with federal taxes, although the IRS has not yet been heard from, and we may face the extraordinary situation of a federal agency (IRS) suing another federal agency (CIA) for tax fraud. And there is the additional fact that the CIA representatives were introduced to the tax assessor by an FBI agent, suggesting further intra-governmental collusion. The CIA's request that the tax assessor cooperate in the secret cover is another example of the agency's domestic activities.

This story is further complicated by Global Marine Inc., a publicly held company (unlike the Summa Corporation) which designed and operated the *Glomar Explorer* for Summa and the CIA. Under Securities and Exchange Commission rules, public companies must provide "full disclosure" of their activities. Global Marine chalked up profits from the *Glomar Explorer* operations, but, according to an SEC staff study, its public reports were "inaccurate and incomplete due to the classified aspects." Thus far the SEC has avoided making a broad ruling on Global Marine's public reporting. If one is made, however, it would affect other public companies with secret CIA contracts, possibly blowing their covers.

3. In the CIA's operation of its vast corporate activities—the so-called "proprietary" companies—the agency has always badly needed the secretive cooperation of federal and state authorities. It is, of course, a matter of subsequent legal determination whether the incorporation of the proprietaries and their operations have been in violation of laws. The existence of the CIA corporate empire, estimated at some $200 million annually in sales and services, has long been a secret and there have been no court tests of the legality of these proprietary companies. Since none of these companies has publicly owned stock, problems with the SEC are unlikely to arise.

The CIA began putting together its proprietary corporate network in the early 1950s in order to acquire domestic and foreign covers for secret operations and to channel funds discreetly to its overseas operatives. Only top CIA officials know how many of these companies are or have been in existence—what is known of the operation suggests that the agency has been closing down some of them and creating others, according to need—but the system is being used to this day. Colby, in fact, confirmed it earlier this year when he denied a charge that profits generated by the proprietaries can be used for covert foreign operations, thus bypassing restrictions written into law by Congress late in 1974.

Most of the proprietaries were incorporated in Delaware, a state that does not levy local corporate taxes, and there are reasons to believe that the CIA even has its own incorporating company in Dover to handle the business away from prying eyes. CIA officials say, however, that in some instances officials in the office of the Delaware secretary of state had to be informed of the true nature of the proprietaries to avoid blowing the CIA covers.

Probably the oldest major proprietary is the Pacific Corporation, with headquarters in a third-floor suite in an office building at 1725 K Street in Washington. Incorporated in 1950, Pacific is one of the principal CIA holding companies because it provides financial and management controls for other important proprietaries. Pacific's president is Hugh L. Grundy, believed to be a longtime CIA official, who actually lives just a few blocks away from the agency's Langley headquarters.

Operating directly under Pacific are Air America, Inc., the "private" CIA airline that has operated planes and helicopters for years throughout Indochina in support of the agency's "clandestine army" in Laos and other paramilitary activities. Air America is funded by the Agency for International Development (AID), which has often served as a cover for the CIA's operations in Asia and elsewhere. The CIA refunds AID through a complex bookkeeping system involving the concealment of CIA appropriations throughout the federal budget.

Pacific also owns Civil Air Transport Co., Ltd., a Taiwan-based scheduled airline known as CAT. CAT, in turn, owns major aircraft repair and overhaul facilities on Taiwan. The third known CIA airline is Southern Air Transport Inc., which is also the most mysterious. Southern (not to be confused with Southern Airways), located at 1625 K Street in Washington (in a building with a number of unusually large antennas on the roof), has interlocking directorships with Air America. Between 1966 and 1972 it leased aircraft from Air America as well as from Air Asia Co. Ltd., another proprietary controlled by Pacific. According to Federal Aviation Administration records, the present ownership of at least four jet transports leased from Air America and subsequently returned to it is "unknown." These planes, in fact, are not even registered anymore with the FAA. At present, Southern owns three transport planes, one of them a DC-6 (bought from Air Asia). A DC-6B was sold to Ethiopian Airlines in 1972.

(Southern's attorney is James H. Bastian, who is vice-president and secretary of the Pacific Corporation. Bastian, incidentally, is the registered owner of several apparently uninhabited townhouses in Washington.)

Most of Southern's operations have been in Latin America, including eight flights to Chile in 1971 (on earthquake relief missions for LAN, the Chilean national airline, according to a CAB certification) when the late president Salvador Allende was still in power, but very little is known of the current use of its planes. Its operational headquarters are in Miami, but at one point Southern was leasing one of its aircraft to a U.S. oil company working in the Niger in Africa and another to a company in Alaska.

Late in 1973, Southern was officially for sale and it filed a petition with the CAB for "cancellation of certificates" for charter routes. But the airline then changed its mind, and on December 31, 1973, became a "commercial operator" under FAA Regula-

121. No longer under the CAB's oper- authority. Southern has greatly in- sed its anonymity—it no longer has to documents showing aircraft purchased old, detailed financial statements, and a of all civil operations listing the number ours flown by aircraft types, tonnage car- on each route, intermediate stops, and number of trips made over each route. a "121" contract operator, Southern has estrictions on where it may fly—except e by foreign governments. Under the status, Southern cannot advertise for mmercial work, but this seems to be the st of its worries.

Other Pacific subsidiaries include the ific Engineering Co. and the Thai Pacific vices Co. Ltd. The nature of their ac- ies is unknown. Foreign Air Transport velopment Inc., another proprietary, has e out of business. And over the years the , and its subsidiaries have dealt with h companies as Lao Air Development operating in Laos under Air America, Birdair, the company that flew the Cam- ian airlift for the U.S. air force in 1974 1975.

cting through other channels, the CIA been funding since 1965 a Washington named Psychological Assessments sociates, Inc., whose function was to duct psychological assessments of erican citizens hired for foreign em- yment and to study brainwashing tech- ues of foreign intelligence agencies. was organized by two former CIA offi- s. Samuel B. Lyerly and Robert E. Good- . (Goodnow has since gone to live in stralia for unexplained reasons.) PAA erates in complete secrecy. Admission e office, in a residential uptown section Washington, is obtained by pushing a zzer so that the door may be opened. But A's present directors are not available interviews and the CIA has refused com- ents on its links with the company.

As a rule, CIA proprietaries pay taxes and eet other official requirements, but CIA rector Colby had to arrange for a special sensation from the now defunct Price mmission so that Pacific Corporation's oks would not have to be opened for the mmission's inspection.

In addition to proprietaries, the CIA runs onts" and "conduits" through companies does not run outright but supports finan- ly. The fronts and the conduits provide vers for CIA operations at home and road. The best known of the fronts was the w disbanded Robert R. Mullen public re- ons company that employed E. Howard nt after his resignation from the CIA in 71 until his involvement in the Watergate eak-in. Interestingly the Mullen company o handled a public relations account for e Howard Hughes interests. The com- y, as it developed in 1974, was con- ted by a full-time CIA case officer. There e many other such fronts.

Some of the most interesting CIA con- ts—channels for transmission of funds other materials—were the German cluded such giants as the Farbenindustrie A.G., the huge Nazi conglomerate, and there are indications that the CIA planted its agents in new firms resulting from postwar decentralization, including their United States subsidiaries. These and other companies—some of them famous American business institutions—serve the CIA through the supply of invoices for materials and services that were never rendered so that money can be easily shifted abroad for the agency's operations. It was through the branch offices of a large New York-based banking and currency firm that the CIA sold dollars for piastres in the black market in Vietnam.

4. The case of the B.R. Fox Company. According to its letterhead this company specialized in "custom designed electronic specialties," but in reality it manufactured lethal explosive devices. As noted earlier, there is no direct evidence to connect Fox to the CIA. However, one of its directors, Michael Morrissey, had past links with the CIA's Paramilitary Operations Branch, according to agency officials. It is also known that Morrissey, according to memoranda written by him, had been in contact with Lieutenant Colonel Lucien Conein, a former senior CIA official currently serving with the Drug Enforcement Administration (DEA). Conein admitted to newsmen that he had been approached by Morrissey, but insisted he never became involved in any dealings with him.

Fox, which operated from a warehouse at 2701 Fairview Drive in Alexandria, Virginia (it also had an office at 15 Abingdon Square in New York City), produced a line of "Astro" horror items. These lethal devices included explosive-filled telephone handsets, booby-trapped magazine clips for the M-16 rifle, flashlights and cigarette packs full of explosives, a "fragmentation ball," and an exploding camera.

Fox's catalogue notes that "the information contained herein is CLASSIFIED by the manufacturer for U.S. Government use only. The handling and storage of this material should be done so mindful of its sensitive nature." This is how the explosive phone handset device is described: "Size 1.25" x 0.75" x 0.5". Use the inside telephone handset. Automatic charge fired at (blank) seconds following lifting of instrument handpiece. Easy and quick installation to underside of mouthpiece. Any desired time delay can be preset. No switches, presetting, or batteries. Simply install 4-wire module. . . . Miniature unit . . . rugged and durable. All hand wired. Unlimited lifetime with proper handling."

The exploding cigarette pack, described as an "anti-disturbance explosive," functions as follows: "Electronics and explosive module packed inside cigarette pack. When the pack is lifted or moved in any manner, the explosive is set off. Simple operation. Only one switch. . . . A built-in electronic counter is factory set for 90 seconds to allow time for evacuation of the area. . . . The circuit will stay armed for a period of 2½ to 3 years. . . . Explosives are not included and is the only thing to be added." In the flashlight, the catalogue explains, the "normal On/Off switch on the side activates the operation." Then the catalogue adds: "This is an example of an explosive anti-disturbance dummy unit. Any other items desired to be so modified may be submitted for such evaluation."

That the CIA may have been the intended, if not actual, client for the Astro line is suggested in Fox's classified catalogue, which says that the explosive devices "have been designed and manufactured for sale to authorized agencies of the United States government, specifically intended for application outside of this country." A well-informed government official remarked in an interview that "I can't think of anybody outside the CIA who would want to buy this kind of stuff—and I'm not even sure the CIA would." But the mystery remains: if the CIA was not the client, for whom was Fox working? Moreover, as we've said earlier, Fox never requested or obtained the required license for manufacturing explosives in Fairfax County. How did Fox get around it?

Nobody seems to know what has happened with these assassination devices after Fox Company suddenly went out of business. It may be something the Rockefeller Commission and the congressional committees will wish to explore as they look into charges that the CIA has been involved in foreign assassination plots.

5. The CIA is explicitly forbidden by law to exercise domestic police functions. But it has secretly collaborated with numerous police departments throughout the U.S. in support of their political intelligence functions. One of the most notable examples was the agency's "formal liaison" with the Metropolitan Police Department in Washington, D.C., going back to the late 1940s. Maurice J. Cullinane, the new MPD chief, acknowledged in a report last March that the Washington police borrowed agents, automobiles, and electronic surveillance equipment from the CIA to help them spy on political activists in the capital. This "Cullinane Report" was one of the most detailed admissions by any U.S. police department on its political intelligence work. The department's intelligence division spent $1.7 million since 1968 on political surveillance. The relationship between the CIA and the Washington police became particularly active in 1969, when the agency trained at least seventeen MPD officers, twelve of them in "intelligence activity." The CIA gave the department what was described as "two lamps capable of intercepting oral commu-

cations." Even the department's morals squad received wiretap devices from the CIA. Between 1968 and December 1974, the Washington police had also been training "selected CIA employees" in interrogation techniques. Police departments in the Washington area have also provided CIA officials with local police credentials to facilitate domestic undercover work.

Former CIA director James Schlesinger suspected the CIA may have been engaging in illegal activities shortly after he replaced Richard M. Helms, now U.S. ambassador to Iran. In an internal memorandum to "all CIA employees" sent out on May 9, 1973, Schlesinger said:

"I shall do everything in my power to confine CIA activities to those which fall within a strict interpretation of its legislative charter. I take this position because I am determined that the law shall be respected and because this is the best way to foster the legitimate and necessary contributions we in the CIA can make to the national security of the United States. I am taking several actions to implement this objective: I have ordered all the senior operating officials of this Agency to report to me immediately on any activities now going on, or that have gone on in the past, which might be construed to be outside the legislative charter of this Agency. I hereby direct every person presently employed by CIA to report to me on any such activities of which he has knowledge. I invite all ex-employees to do the same. Anyone who has such information should call my secretary (extension 6363) and say that he wishes to talk to me about 'activities outside CIA's charter.' . . . Any CIA employee who believes that he has received instructions which in any way appear inconsistent with the CIA legislative charter shall inform the Director . . . immediately."

Schlesinger evidently received substantial response to his request because Colby, when he succeeded him later in 1973, began turning evidence over to the Justice Department for investigation and possible prosecution. However, for reasons that remain unclear, Colby apparently failed to notify the president of his move. Ford became aware of it only after the domestic spying scandal broke out late in 1974.

Subsequently, David Blee, deputy director of the CIA's Directorate of Operations (Clandestine Services), advised CIA employees by memorandum that they should obtain private counsel in the event of legal proceedings against them in connection with the Justice Department's investigation.

But the CIA is not alone when it comes to illegal domestic political operations aimed at American citizens. The FBI, as we now are beginning to discover, was among the culprits. The new attorney general, Edward H. Levi, told a congressional subcommittee earlier this year that J. Edgar Hoover had amassed at least 164 files containing folders with information, some of it derogatory, on "presidents, executive branch employees, and seventeen individuals who were members of Congress." The files were marked "OC," meaning "Official and Confidential." Levi added that the existence of these files was not made known by the FBI to the Justice Department, of which the FBI is a part, until early 1975. In other words, the Hoover files were a secret from dozens of attorneys general over the years. (The present FBI director, Clarence M. Kelley, never told Levi's predecessor, former attorney general William B. Saxbe, about them.)

Under a secret program known as COINTELPRO, initiated by Hoover in 1956, the FBI ran for years a counterintelligence operation aimed at domestic dissenters. Although the program was formally terminated in April 1971, these activities, including the harassment of radicals, went on at least until 1973. Among COINTELPRO's targets were the Socialist Workers' Party, the Young Socialist Alliance, the "New Left," American Communists, "black extremists," and "white hate groups." COINTELPRO was originally aimed at foreign intelligence agents in the United States, a proper FBI function, but Hoover, without clearance from successive attorneys general, applied it to domestic groups as well.

In 1969, for example, the FBI sent a fake threatening letter to a black Baptist minister, Donald W. Jackson, to force him to abandon his civil rights work at Tougaloo College in Mississippi. The letter was sent in the name of a nonexistent "Tougaloo College Defense Committee," whose members were said to be armed. And in 1972, a Florida resident was recruited by the FBI to infiltrate and disrupt radical groups in the United States and Canada. The informant, Joseph A. Burton, told newspaper interviewers that as late as 1974 he was told by the FBI of its efforts to put the Vietnam Veterans Against the War out of business in Florida.

One of the FBI's most astonishing unauthorized efforts was against the small Socialist Workers' Party and its affiliate, the Young Socialist Alliance. The party had not been prosecuted since 1945, but the FBI files on the disruption program runs to an amazing 573 pages. The bureau's harassment of the party reached the point where, last December, a federal judge in New York ordered the FBI to desist from conducting surveillance on a national convention of the Young Socialist Alliance. Another instance of unauthorized FBI activity came to light when it was learned that the security chief of the American Indian Movement during the Wounded Knee takeover in 1973 had been a paid FBI informer. Evidently, neither Hoover's death nor Watergate has taught the FBI anything about the need to observe the constitutional rights of Americans.

It seems as if every government agency has been involved in some form of spying on Americans. Thus the CIA, with the cooperation of postal officials, has been intercepting, reading, and copying since 1953 uncounted thousands of first-class letters written by Americans to addresses in the Soviet Union. Former CIA director Richard Helms refused to stop the interception in 1969, but Colby testified that the agency suspended the operation in February 1973. He admitted the program was "illegal." So frantic was this mail reading by the government that the CIA developed, at great cost, a special machine to unseal and reseal envelopes of every conceivable size in a matter of seconds.

During 1974 the U.S. Postal Service surveilled and recorded the origins of all mail received by nearly 4,500 Americans. The CIA was no longer requesting such mail covers last year, but the Postal Service was acting on the behalf of the Naval Intelligence Service, the Army Intelligence Command, the Air Force Special Command, the Air Force Special Investigations Office, the Interstate Commerce Commission, the Commerce Department, the Health, Education and Welfare Department, the Agriculture Department, the IRS, the FBI, the Postal Inspection Service, the Drug Enforcement Administration, the Secret Service, the Coast Guard, the Interior Department, the Labor Department, the Justice Department, the Immigration and Naturalization Service, Customs, the Royal Canadian Mounted Police, and a vast number of local police departments and tax offices.

The Internal Revenue Service, through its special service staff, was also involved in domestic espionage. A congressional investigation established that the IRS had 11,458 files on individuals and organizations (including 706 persons from Nixon's "enemies list") for reasons that clearly had nothing to do with tax collection. In Miami, the IRS cranked up its "Operation Leprechaun" designed to assemble data on the sex and drinking habits of prominent residents, including the state's attorney.

The National Security Agency, a supersecret outfit dealing with code breaking and electronic intelligence, is currently continuing to monitor all overseas telephone calls and cables. During the Nixon period, the NSA was an enthusiastic supporter of Nixon's domestic intelligence program, particularly when it came to breaking into foreign embassies. Admiral Noel Gayler, then the NSA director, has been rewarded with the post of commander-in-chief of all U.S. forces in the Pacific (CINCPAC).

There could be an endless list of the intrusions of our government into our private lives. Let us conclude with three of the more striking examples: in 1969 Henry Kissinger recommended names of his closest aides and several newsmen to be bugged by the FBI for "national security" reasons; the CIA investigated the personal life of a Nixon campaign adviser in 1968; and a deputy attorney general proposed in 1975 that "internal passports" be issued to aliens in the United States, a step that could have led to a national identification system on the Soviet model. However Attorney General Levi vetoed the scheme.

Spying and covert activity is now an official government pastime in the United States. Can the president or Congress arrest this trend toward an American police state? The answer is vital in determining the kind of society in which we will live. ☐